



# An Affordable Way to Buy a Home

## How does Shared Ownership Work?

Under a shared ownership lease, the Leaseholder buys a 'share' of the property and pays rent on the remaining share of the property (which stays in the ownership of the Landlord).

Initial shares bought are typically between 25% and 75% of the full purchase price and is tailored to suit your circumstances, meaning it is not only affordable for you now, but in the future too. These amounts do vary so please ask for details.

A subsidised rent is paid to East Suffolk Council on the share that you do not own and in most cases you have the opportunity to purchase further shares in your home at the market value at the time of purchase, this is known as 'staircasing'. When you purchase further shares in your home the rent reduces accordingly. If you staircase to 100% ownership there is no rent to pay and you can acquire the freehold in the property for no charge, unless your home is in a designated protected area.

## Designated Protected Area

A designated protected area is where you can buy up to 80% maximum or in instances where the leaseholder is permitted to acquire more than 80% (ie up to full ownership), then there is an obligation to the landlord (or a designated alternative landlord) specified in the lease that commits the landlord to repurchase the property when the leaseholder wants to sell.

## What is the difference between a freeholder and a leaseholder?

A freeholder owns the land that the property is built on. A leaseholder buys the right to live in a property for an agreed period of time (Set out in the lease) but does not own the land the property is built on.

Shared ownership homes are always sold on a leasehold basis.

## Standard Lease Obligations

Although initially the property is not owned outright, the Leaseholder does have the normal responsibilities of a full owner. This means, for example, that the Leaseholder will be obliged to pay 100% of the outgoings relating to the property and to keep the property in good and substantial repair and condition.

The lease also contains other 'standard' obligations on the Leaseholder. For example, the Leaseholder will:

- if applicable, need to contribute towards the costs incurred by the Landlord in providing services (service charges)
- need to seek the Landlord's consent before making certain alterations; and
- if applicable, comply with regulations relating to the management of the estate of which the property forms part.

## Your Lease

What is a lease? A lease is a legally binding contract between the buyer (leaseholder) and the landlord (East Suffolk Council). The lease sets out any conditions attached to ownership. These conditions are known as covenants (agreements or promises contained within the lease) applying to both parties. The term of the lease is usually 99 or 125 years.

## Am I Eligible for Shared Ownership?

Shared ownership is normally aimed at first time buyers who are unable to buy a suitable home on the open market. However, applications from non-first time buyers may also be considered if you:

- Are a previous homeowner who has had to sell or move out due to a relationship breakdown
- Need to move to a new area due to work or family commitments
- Are an existing shared owner whose family has grown but you are unable to afford a home that suits your needs outright.

## Searching for a Suitable Home to Buy

To search for homes to buy suitable to your needs, you will need to apply to the Help to Buy Agents. The help to buy agents will assess your application for shared ownership housing and advertise all properties available for shared ownership sale from local providers in the area. The help to buy agent for the south of England is Radian. The website address is [www.helptobuyagent3.org.uk](http://www.helptobuyagent3.org.uk).

Once you have been approved by the Help to Buy agents, you can register your interest in properties that are advertised on the website. The help to buy team will send notifications to the housing providers that are selling the property.

## What is a Help to Buy Agent?

Help to Buy Agents are housing associations appointed by Homes England as a one stop shop and point of contact for people looking for affordable homes to buy in their area.

## What will it cost?

It is important to seek independent financial advice, as one of the first things you will need to consider when buying a home is how much deposit you can afford to put down, how much you can borrow and which is the most suitable mortgage for your circumstances. An independent financial advisor (IFA) will be able to assist you with this and will also help you to complete your mortgage application.

It is important to know from the beginning what your new home will cost you. During your purchase there will be a number of associated purchase costs and once you have moved into your property there will be the ongoing costs of home ownership.

## Purchase Costs

**Reservation fee** – This is a £500 fee you pay to reserve your home, it is non-refundable should you pull out of your purchase during the sales process however you will get this back when the sale completes as it will be deducted from the monies due on completion.

**Mortgage Deposit** – Your mortgage lender will usually require a deposit in order to secure a mortgage, this typically begins at 5% of the share you are purchasing but will vary from lender to lender. Your IFA will be able to discuss the deposit requirements of different lenders with you.

**Mortgage Fees** – Depending on which lender you choose there may be a fee as part of the mortgage application or mortgage valuation process. Your IFA or lender will be able to advise you about the fees applicable to you.

**Stamp Duty Land Tax (SDLT)** – This is a government tax on buying a home. Your solicitor will be able to tell you if the tax applies and if it does, how much it will be.

**Legal Advice & Fees** – To buy a home, it's advisable that you appoint a solicitor to act on your behalf. They will handle the conveyancing (legally transferring the title to you), explain the terms of your lease and communicate with the sellers solicitor on your behalf. The cost varies depending on the solicitor you use and will include items such as land registry fees, search fees and other expenses. Before appointing a solicitor, you should ask them for an estimate of all the costs involved.

Find a solicitor near to you that is qualified to offer conveyancing, on The Law Society's register.

## Ongoing Costs

**Your mortgage** – on the part of the property that you own.

**Rent** – Under the Shared Ownership scheme you pay a subsidised monthly rent on the share of the property you don't own. The rent is payable on the part of your home that you do not own therefore the larger the share you own, the less your rent will be.

The rent will be reviewed periodically at the times set out in the lease. Typically, the rent will be reviewed every year. The reviewed rent will be increased in line with any proportionate increases in the retail prices index (RPI).

The rent will be reviewed on an 'upwards only' basis. This means that the level of rent will not go down when it is reviewed. However, any increase in the rent will be capped at a figure representing the RPI increase plus 0.5%. This means that where the RPI is zero or negative the most the rent can increase by is 0.5%.

**Service Charge** – if you purchase a property with communal areas you will normally pay a service charge. Your service charge is calculated at a monthly rate and covers the cost of the upkeep of communal areas such as gardens, pathways or hallways. If you buy a newly built apartment your service charge may also include a 'sinking fund'. A sinking fund covers the cost of major repairs that may be needed in the future – such as replacing the roof, redecorating shared areas and so on. Paying for these costs month by month means that you will not have to find a large amount of money to pay for these repairs in the future and will help you if you decide to sell your home as the new buyer will know that the money is available to cover any major repairs.

**Buildings Insurance** – As the freeholder of your home East Suffolk Council need to make sure that your home is adequately insured. East Suffolk Council has a block policy which covers all our homes and since we require insurance for so many properties the premium payable is reduced meaning that we can pass the savings onto you.

**Other household costs** – You will need to organise payment of your own content's insurance, council tax, utility bills, TV licence and any other utilities that you require e.g. internet, telephone etc.

## Applying for a Shared Ownership Home

After completing a help to buy application form and registering your interest in one of our properties, we will arrange an interview to obtain evidence to support your application:

- Proof of your income by way of payslips for the last 3 months or a P60
- If you are self-employed we will need to see the last three years' audited accounts
- Details of savings such as a photocopy of a bank or building society account statement
- A mortgage in principle certificate – most banks/building societies provide this free of charge or your IFA will assist with this.
- Proof of identity such as a passport or driving licence (photo identification)
- Details of credit card commitments, hire purchase agreements or personal loans
- Proof of address such as a recent utility bill.

Upon receipt of these, an affordability check will be carried out to ensure that you can afford your home now and in the long term by considering any savings and any other financial commitments you may have.

A Memorandum of Sale will be sent to both legal representatives and a Sales Pack will be issued to your solicitor from our legal team. Your solicitor will then:

- Check the lease
- Speak with your mortgage lender and our solicitor
- Carry out 'searches' and check that there are no issues that will affect your new home
- Ensure that legal paperwork and the mortgage are in place in time for you to move into your new home.

Once the above have been carried out exchange of contracts can take place, this is where the buyer and the seller are both legally committed to the sale. The completion date will be agreed at exchange of contracts, this is usually within 10 days.

At completion, East Suffolk Council will meet you at your new home to hand over the keys and handover pack which will include:

- Shared Ownership Handbook including repairs and maintenance information
- Details of your Housing and Leasehold Officers
- Meter Readings

## Who is Responsible for Repairs and Maintenance?

You are responsible for all repairs and maintenance to the inside and outside of your home, unless covered by your new home warranty.

With all new homes you may experience teething problems most of these will be minor such as settlement cracks as the property dries out or sticking windows and doors.

If your home is a new build property, the building contractor will be responsible for any repairs or defects that occur within the first year following handover to East Suffolk Council of the properties from the contractor. This is called the defects liability period.

Your new build home is covered by an NHBC warranty (or equivalent) which covers your home for structural problems for 10 years.

We would recommend that you have your boiler or air source heat pump serviced every year and have negotiated discounted rates for you with Gasway who we use should you wish to use them also.

## Can I Make Improvements to My Home?

You do not need permission for redecorating and simple repairs but for anything more complicated you will. This is partly to protect our interest in the property but also to ensure that you keep all the benefits of any improvements that add value to your home.

## How do I sell my Shared Ownership Home?

You can sell your home to an eligible purchaser at any time and under the terms of your lease East Suffolk Council has the right to nominate a person to buy your share. This helps you as it may save you the expense of going to an estate agent.

If we are unable to find a buyer for you, you can sell your home through an estate agent in the normal way. You would be responsible for associated costs.

As with staircasing, the price you sell your home for is based on the market value at that time.

As with any home the market value can rise or fall.